



TESTIMONY

**by Elaine Dauphin
Vice President, GSA and GWAC Programs
Computer Sciences Corporation**

on behalf of the Professional Services Council

**before the
Committee on Government Reform
U.S. House of Representatives**

March 16, 2005

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Mr. Chairman, Members of the Committee. Thank you for the invitation to the Professional Services Council (PSC) and the opportunity to appear here today. The Professional Services Council is the principal national trade association representing companies that provide a full range of services to virtually every government agency. PSC's membership includes scores of companies, large, medium, and small, that are holders of the wide array of General Services Administration (GSA) Schedules contracts, Government-wide Acquisition Contracts, and other contracts awarded by GSA. The future structure and role of GSA in government acquisition is a matter of significant interest and importance to our members and to the Association.

Mr. Chairman, we applaud you for continuing to focus on the appropriate roles and responsibilities for GSA, and for holding this hearing. We greatly appreciate your continued leadership on government acquisition policy issues.

In the book "Governing by Network" by Stephen Goldsmith and Bill Eggers, they noted that government today is a very different institution than it was just ten years ago. Today, more than ever, federal agencies are reliant on a network of services providers—in industry, non-governmental organizations, academia, state and local governments, and more—to ensure the delivery of services to their customers, be they our armed forces in harms way or citizens who experience the myriad routine ways in which government is involved in their lives. As Goldsmith and Eggers make clear, the biggest challenge for the government is both recognizing this tectonic shift and ensuring that it has the right organizational and personnel structure and capabilities to enable effective management of this network.

We think GSA's mission is at the heart of the management of that network and the ways it addresses its structural and organizational challenges will greatly affect the quality of its performance. Moreover, when one considers the massive human capital challenges facing every agency of government—a challenge particularly reflected in the acquisition workforce—GSA's role becomes even more central.

Through the Federal Supply Schedule (FSS) and the Federal Technology Service (FTS), GSA offers vital acquisition support and assistance to agencies across the government. Since the acquisition reforms of the 90s, the roles of the FTS and FSS in federal acquisition have grown dramatically, driven largely by the quality of support they provide through a significantly streamlined procurement environment. As you and others have suggested, Mr. Chairman, this growth and change, especially with the advent of a kind of "profit and loss" responsibility that is the norm in industry but is relatively unusual in government, has not been without its problems.

Yet, as is so often the case in government, thanks to the urgings of this committee and others in Congress, GSA has made changes to both its practices and policies in an effort to improve the management of the Multiple Award Schedules and the other contracts it owns or manages.

At the same time, numerous challenges remain. It is not clear whether GSA is structurally organized in a way that enables it to optimally meet the ever-changing needs of its customer base. PSC has discussed these matters with GSA's senior leaders and appreciate the actions that Administrator Perry and his team are taking to integrate FTS and FSS. While PSC takes no formal position on any specific organizational proposal, we fully support the organizational action now underway at GSA.

However, while the organizational structure of GSA is important, the nature, scope and design of the services and capabilities it offers, and the business models on which it relies, needs to be assessed and updated first, so that the agency does not re-structure itself around outmoded and outdated business models or delivery mechanisms. As Administrator Perry told PSC members at a luncheon recently, GSA needs to carefully review everything it does—top to bottom—to determine if the capabilities and missions that were put in place five, ten, and even fifteen years ago are still aligned with the needs of GSA's customers and GSA's ability to deliver value to them. PSC fully supports such a review and we recommend that it include a thorough review of the GSA Schedules to determine that their current definitions and scope are relevant in today's market. This review must also assess the government-wide human capital gaps and areas where GSA can or should ramp up its capabilities, working, as GSA is, toward improving its Client Support Center (CSC) activities, and more. GSA should also carefully assess the quality of its own acquisition workforce and the degree to which it is truly implementing (or is positioned to implement) performance-based acquisition and other innovative acquisition strategies that drive value and performance for the customer.

This review and analysis process must be open to and robustly involve all stakeholders who have direct and meaningful experience with and an understanding of GSA, including other federal agencies, end users and industry. This kind of integrated team approach will go a long way to ensuring that the changes that are made to the GSA organization fully reflect the needs and realities of a broad spectrum of customers and suppliers. This integrated analysis should occur early in the process, not at the end when decisions have been made. Despite the agency's openness about its direction, we are not aware that there has been this critical consultation with key external stakeholders.

It is essential that even as the structure of GSA is being addressed, we not lose sight of other critical dynamics now evident inside and outside of GSA that are likely to significantly impact GSA's viability and credibility, regardless of the structure ultimately put in place.

As you know, there is growing pressure, within the Department of Defense (DoD) in particular, to avoid using GSA contract vehicles in favor of internally awarded and managed contracts. DoD is not alone in facing this pressure or in taking this action. PSC takes no position on which contract vehicle is appropriate for any given procurement, but we do strongly believe that the government benefits greatly from a competitive marketplace of contracts. It is to the government's advantage when program offices and contracting officers can pick from a diverse array of contract vehicles that will best meet their needs for the procurement at hand. Current DoD efforts to arbitrarily limit access to non-DoD contract vehicles could have a deleterious effect not only on GSA, but, more importantly, on meeting the mission needs of DoD and its components.

These recent pressures stem largely from the detailed spend analyses DoD and the military services have been conducting and the new visibility given to the amount of "fees" and other expenses that have been transferred from DoD to GSA. DoD is to be commended for

undertaking such an important assessment. However, that assessment is only the first piece of a much more complex puzzle which must be completed before any conclusions are drawn as to whether to use a GSA contract or before new policies and procedures are put in place.

For example, to our knowledge, no DoD component has looked at what it might cost to replicate the services being provided by GSA to balance the fees now being paid to GSA. Thus, it is impossible to say whether DoD is getting its money's worth by using GSA or not. Likewise, at a time when the acquisition workforce is facing both significant skills and numeric shortfalls -- which cannot be fixed for many, many, years even under the most optimistic of scenarios -- no one has set forth a strategic plan to document how the DoD acquisition workforce will take on all of the added workload that would otherwise be assumed by GSA's Schedules or CSCs. These are critical issues that drive to the heart of DoD's mission efficiency, as well as the role and mission of GSA. They cannot be ignored while we focus all of our attention on GSA's organizational structure.

Even within GSA, there remain divisions over important policy matters that are causing real problems for GSA, its customers, and industry. As you know, in December 2004, the GSA Inspector General released a report on the CSCs that Administrator Perry requested last summer. Not surprisingly, that report indicated that progress and improvement at these CSCs was uneven, but noticeable.

What was more striking in the report, however, were some of the IG's interpretations of statutory and regulatory matters pertaining to such critical issues as price reasonableness and contract scope. At the same time, a number of companies have reported to the Association that in the course of renewing their Schedules contracts, the IG is demanding access to a range of commercial and other company records that is both completely unnecessary and, we believe, clearly prohibited by the Federal Acquisition Regulation. We have raised these issues with the IG and with other acquisition policy officials in GSA. We are pleased to say that both the IG and the GSA leadership have been very open to exploring and discussing them, and our discussions with them continue.

Nonetheless, while we all agree that this is a difficult and tenuous time for GSA generally, it is also a time of significant disconnects between the oversight and operational communities. Those disconnects must be addressed and overcome so that we can have critical alignment over the rules of the road we are all traveling.

Mr. Chairman, GSA plays a role of singular importance in government, particularly in light of the still evolving transformation in government that Goldsmith and Eggers reference in their book. That role will and must shift and change as the marketplace GSA serves shifts and changes. It is necessary to both engage industry fully in the discussions and, even more importantly, to take a holistic view of GSA, its customers, and the panoply of interconnected issues and challenges they face. To look solely at structure without this broader view will sub-optimize a most important process and, at the end of the day, likely not engender the management and process improvements intended and required.

Thank you again for the opportunity to provide the Professional Services Council's views on this important matter. I would be happy to answer any questions.